

Pay for performance in Medicare: inpatient acute care hospitals

ISSUE: Is it feasible to compare the quality of care of inpatient acute care hospitals for purposes of attaching payment to their performance?

KEY POINTS: In 2003, MedPAC began a concerted effort to find ways to align the incentives of Medicare's payment systems with improving the quality of care. In 2004, we examined quality measurement for Medicare Advantage plans and for facilities and physicians that treat dialysis patients and found that it was feasible in those sectors to attach a portion of payment to quality. We will continue our effort this year by determining whether other sectors are ready for similar changes. This paper explores the acute inpatient care hospital sector.

The Commission will consider four questions to determine whether this sector is ready for pay for performance:

- Are evidence based, well-accepted measures available?
- Can data be collected in a standardized way without undue burden on providers or CMS?
- Do the measures have adequate risk adjustment?
- Can providers improve the measured performance?

We engaged a panel of quality measurement experts to consider ten different measure sets that use process, outcome, structure, and patient experience indicators and give us input on their evidence base, standardization, risk adjustment, and potential for improvement. This paper presents staff research and the panel's input on these measure sets. Brief descriptions of the sets discussed in this paper are attached in an appendix.

ACTION: This is the initial presentation on this topic to orient and inform the Commission. Staff seeks Commissioners' input on the subject and guidance for our analysis; in particular, whether there are quality measures sufficient to differentiate hospitals based on quality.

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